COMMITTEE ON WAYS AND MEANS REPUBLICANS
Facts are Stubborn Things…

<u>The Mother of All Tax Hikes</u>

<u>Democrats vs. Reality</u>:

Joint Tax Analysis: Democrats' MATH Equals Tax Increases for 90% of American Taxpayers

If a taxpayer who earns the same amount of money this year as last year has to write a bigger check to the Internal Revenue Service, that's a tax hike. If the taxpayer writes a smaller check (or gets a larger refund), that's a tax cut.

Using that straightforward test, a new analysis by the non-partisan Joint Tax Committee compared the Democrats' MATH bill to the "reality baseline" – which is 2006 tax policy going forward. Simply put, they measured future tax cuts or tax hikes against what people would pay in future years if Congress extended 2006 tax law (including an indexed AMT patch). By that standard, JCT found in 2011, under the Democrat's MATH bill - which allows the 2001 and 2003 tax cuts to expire - 113 million American taxpayers would pay higher taxes and only 9 million taxpayers would pay less. In 2017, 120.7 million Americans would pay higher taxes and only 9.3 million would pay less.

<u>That means, according to non-partisan analysts, by 2011, 113 million taxpayers – or 90% of all U.S. taxpayers - will face a tax increase under the Mother of All Tax Hikes.</u>

House Democrats have fallen into the "paygo trap." By using a baseline that includes 100% of the expected revenue from the AMT and the expiration of the 2001 and 2003 tax cuts, they are locking in a $3.5 trillion tax increase over the next ten years. When Chairman Rangel claims that 90 million taxpayers will see a "tax cut" under the Mother of All Tax Hikes, those cuts are purely imaginary. They are an artifact of the Congressional Budget Office process.

<u>In the real world, most taxpayers will be worse off under his legislation than if 2006 tax policy continued into the future.</u>

For example, a married couple with an adjusted gross income (AGI) of $45,000 in 2011 – with two children, so they have four exemptions totaling $14,800, plus $13,000 worth of deductions for their charitable contributions, mortgage interest, and state taxes – would have a negative tax liability of $275 under the "reality baseline." So they would pay no income tax and get a check from the IRS to boot. But under the Democrats' MATH, that same family would owe the government $1,580. Why? MATH assumes that the 2001 tax cuts expire, meaning that the 10 percent tax bracket – which benefits millions of taxpayers – reverts to 15 percent. And the $1,000 per child tax credit drops back to $500.

In another example, a different two parent family with two children – with the same exemptions and the same deductions for charity, mortgage interest, and state taxes – earning an AGI of $97,000 in 2011 would pay $7,525 under the "reality baseline." But under MATH, they would owe $10,800 – a 44 percent increase. Why? Under 2006 law, such a family would be in the 15 percent tax bracket because of the marriage penalty relief, plus they get the $1,000 per child tax credit. But under MATH, they would be in the 28 percent tax bracket and get only $500 per child in tax credits.

According to Joint Tax, under MATH the middle class takes a big hit: In 2011, of people with AGI between $20,000-$200,000, more than 94 million would see a tax hike while only about 800,000 would see a tax cut.

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